

OFFICE OF THE TREASURER

P.O. Box 942809
Sacramento, CA 94209-0001
(800) 900-3873
www.treasurer.ca.gov



The Treasury Note

A monthly newsletter of municipal finance
January 1, 2001

Recent State Bond Sales

If you are interested in purchasing the bonds mentioned below, please contact your broker.

General Obligation Bonds

The State sold \$648 million in general obligation bonds on November 29, 2000. The sale included \$500 million in general obligation bonds to support K-12 and higher education school construction and earthquake safety. Another \$148 million was issued to refund higher interest rate bonds at today's lower interest rates, saving taxpayers \$3.7 million in lower debt service payments.

The bonds were sold in a competitive sale. Bidders included Lehman Brothers; Merrill Lynch & Co.; and Bear, Stearns & Co., Inc. The bid was won by Lehman Brothers with the lowest true interest cost of 5.026 percent.

The three major rating agencies, Fitch, Moody's Investors Service, and Standard & Poor's, rated the bonds AA, Aa2, and AA respectively.

Assisting with the sale were Orrick, Herrington & Sutcliffe and Holland & Knight LLP serving as co-bond counsel; Leslie M. Lava, Esq. serving as disclosure counsel; and Public Resources Advisory Group providing financial advisory services.

Veterans Bonds

The State conducted two bond sales for the Department of Veterans Affairs on December 6, 2000. The first sold a total of \$230.4 million in general obligation bonds at a true interest cost of 5.442 percent. The sale included \$115 million in general obligation bonds to fund new mortgage loans under the Farm and Home Purchase Program. Another \$115.4 million was issued to reduce the Department's borrowing costs and to replace and refund certain outstanding obligations of the State. The bonds were rated AA, Aa2, and AA by Fitch, Moody's Investors Service, and Standard & Poor's, respectively.

The second bond sale involved \$97.13 million in revenue bonds at a true interest cost of 5.250 percent. The bonds were rated AA-, Aa3, and AA- by Fitch, Moody's Investors Service, and Standard & Poor's, respectively.

The Department of Veterans Affairs began making long-term, low interest loans available to qualified veterans after World War I. Since its inception in 1921, over 410,500 veterans have benefited from loans provided by this program.

UCLA Anderson Forecast

In December, the UCLA Anderson Forecast published its economic forecasts for California and the nation highlighting several economic factors that could indicate a coming slowdown in 2001.

According to the forecast, financial market conditions that contributed to California's high-tech boom have weakened and may continue to decline, prompting a cyclical contraction. Decreases in the availability of venture capital and falling stock prices may hamper the growth in income and spending that has recently stimulated the state's economy. Reliance on venture capital and stock-based incentives leave the high-tech economy particularly susceptible to a slowdown. California's high-tech industry, however, maintains a worldwide scope and primarily involves the internet, a technology in its infancy. The forecasters believe these factors will help limit the degree and length of any slowdown.

Forecasters also predict a 60 percent chance that the nation's current economic expansion will end in 2001. The forecasters pointed to tight labor markets, scarce capital, and lower consumer spending as possible warning signs that a downturn was on the way. After a mild recession, the forecasters see growth again for 2002 as underlying productivity gains are realized.

Listing of Redemptions

This listing reflects redemptions officially announced as of January 1, 2001.

State of California Veterans General Obligation Bonds, Series BC, Dated Date: March 1, 1995

All of the bonds due February 1, 2007-2015, and \$200,000 of the bonds due February 1, 2018 will be redeemed on February 1, 2001.

State of California Veterans General Obligation Bonds, Series BD, Dated Date: March 1, 1995

All of the bonds due February 1, 2007-2012 and 2014, and \$6,910,000 of the bonds due February 1, 2020 will be redeemed on February 1, 2001.

State of California Veterans General Obligation Bonds, Series BE, Dated Date: March 1, 1995

All of the bonds due February 1, 2007-2012 and 2014, and \$12,370,000 of the bonds due February 1, 2020 will be redeemed on February 1, 2001.

State of California Veterans General Obligation Bonds, Series BF, Dated Date: March 1, 1995

All of the bonds due February 1, 2007-2012 and 2014, and \$13,670,000 of the bonds due February 1, 2020 will be redeemed on February 1, 2001.

California Housing Finance Agency, Multi-Family Revenue Bonds, 1979, Series B, Dated Date: November 1, 1979 (Partial Redemption).

\$55,000 of the bonds maturing February 1, 2004 will be redeemed February 1, 2001.

Questions regarding redemptions or registration information can be directed to the *Investor Relations Section* at (800) 900-3873.

Bond Sales Calendar

The bond sales calendar will be announced in February 2001. For up-to-date information check our website at www.treasurer.ca.gov/stoupcom.htm or call the *Investor Relations* at (800) 900-3873.

Frequently Asked Questions?

Q: Do I have to submit a Form W-9 every time one of my bonds matures or is called for early redemption?

A: Yes, under Federal law we are required to have the correct Taxpayer Identification Number before making any principal payments. To ensure that we are reporting accurate information to the Internal Revenue Service, we require a new executed Form W-9 for each payment we make to bondholders.

For Your Information

If you received a redemption payment from our office in 2000, you will receive a 1099-B notice. If you have received taxable interest payments from our office in 2000, you will receive a Form 1099-INT. Our office will mail out both of these forms on or before January 31, 2001. Please call the *Bondholder Services Section* at (800) 900-3873 if you have questions regarding the 1099-B notice or Form 1099-INT.



Information & Assistance

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